PRESS RELEASE

The Board of Directors has approved the results at 30 September 2020. The Group's multibusiness and extremely integrated nature enabled it to counter a negative energy, weather and health scenario: EBITDA, stripping out the non-recurring positive elements, was in fact up 1%, thanks also to an increase in investments of 28%.

The results obtained in the first nine months of 2020 show a Gross Operating Profit at € 653 million, down by 3.3% compared to last year. Excluding the non-recurring elements that positively affected both reporting periods, EBITDA would have increased by 1.1%, showing that the Group's multibusiness portfolio enabled a significant attenuation of the external negative effects. The reduction in Energy and Waste Management Business Units was, in fact, completely absorbed by improvements in the margins of Market and Networks Business Units.

Main financial and economic indicators

- **Revenue totalling € 2,629 million** (-17.6% compared to € 3,190 million at 30/9/2019). This decrease can be attributed to a particularly unfavourable energy and weather scenario. The drop in revenue was not reflected in margin losses.
- **Gross Operating Profit (EBITDA) of € 653 million** (-3.3% compared to € 675 million at 30/09/2019). Excluding the net balance of approximately € 30 million of non-recurring items that positively affected the first nine months of 2019 and 2020, EBITDA would have increased by 1.1%.
- **Operating Profit (EBIT) of € 290 million** (-15.6% vs € 344 million at 30/09/2019). Excluding the non-recurring items, Ebit would have decreased by 4.8%.
- **Group Net Profit attributable to shareholders of € 153 million** (-19.7% compared to € 191 million at 30/09/2019). Excluding the non-recurring items, Group Net Profit attributable to shareholders would have decreased by 6.9%.
- **Net financial debt of € 2,915 million** (+7.8% vs € 2,706 million at 31/12/2019). The increase is due to the strong growth in investments, extraordinary consolidation operations and the worsening of net working capital, following the delay in the collection of commercial receivables due to Covid-19 (+ €50 million).

Business highlights

- Total **organic growth** of approximately € 25 million in EBITDA.
- **Synergies** for € 9 million of EBITDA.
- **Investments** of € 414 million (+27.9%). The increase was mainly connected with the repowering of the Turbigo plant.
- Solid **customer base** in the energy sectors (approximately 1.873 million customers), up by over 57,000 compared to 31/12/2019.

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Reggio Emilia, 10 November 2020 - Today, the Board of Directors of IREN S.p.A. approved the consolidated results at 30 September 2020.

"The multi-business and highly integrated nature of the Group has made it possible to face a particularly complex scenario without affecting the company's margins, confirming the extraordinary resilience of Iren, which, in a period characterised by the Covid-19 health emergency, continued to provide services with the same level of efficiency and quality. The significant growth of the client base, equal to over 57,000 units, recorded in the energy sectors is further evidence of this", said **Iren Chair Renato Boero**.

"The results of the period confirm the Group's ability to operate in an unforeseeable environment strongly conditioned by external events", commented **Massimiliano Bianco, the Group's Chief Executive Officer**, who then added, *"€ 414 million of investments (+28%), aimed at achieving the strategic objectives set forth in the latest business plan, supported the Group's organic growth of € 25 million, and the synergies, for a further € 9 million. We expect a fourth quarter of growth compared to last year and therefore confirm the guidance declared during the half-yearly financial statements, that is an Ebitda at the end of 2020 of about € 910 million and a Net Profit of about € 210 million."*

IREN GROUP: CONSOLIDATED RESULTS AT 30 SEPTEMBER 2020

Consolidated **Revenue** at 30 September 2020 was € 2,629.2 million, down by -17.6% compared to € 3,189.9 million in the corresponding period of 2019. This decrease in revenue can be attributed primarily to a drop in energy commodity prices, the reduction in volumes of electricity sold, also in relation to the lockdown due to the COVID-19 health crisis, the reduction in gas and heat sales for district heating due to a particularly mild winter, and lower amounts of energy produced by the Group's plants. The energy scenario, already weak in the early months of the year, subsequently worsened further starting at the end of February, deteriorating in step with the harsher health safety measures put in place to tackle the spread of the effects of the COVID-19 epidemic and which culminated in the total closure of production activities in the period between the beginning of March and 4 May. During the third quarter of 2020, an increase in thermoelectric energy production was recorded along with a recovery in the electricity price (PUN), in any case, still below the average of the prices recorded in the corresponding period of 2019.

Gross operating profit (EBITDA) amounted to € 652.6 million, down -3.3% from the € 675.1 million of the corresponding period of 2019. Excluding the net balance of approximately € 30 million of non-recurring items that positively affected the first nine months of 2019 and 2020, EBITDA would have increased by 1.1%.

The trend in the profit was conditioned negatively by the particularly unfavourable energy and weather scenarios and by the negative effects associated with the COVID-19 health emergency. The Group's multibusiness portfolio enabled a significant attenuation of the external negative effects. In fact, the improvements in the margins for the Market (+23.7%) and Networks (+2.9%) business units significantly mitigated the decrease in the Energy business unit (-22.6%) and the slight drop in the Waste Management business unit (-4.4%).

Operating Profit (EBIT) totalled € 290.2 million, down -15.6% from the figure of € 343.9 million in the corresponding period of 2019. Greater depreciation and amortisation of around € 25 million was

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recorded—mainly related to new investments that came into operation during the year—along with greater allocations to provisions for impairment of receivables of € 28 million, of which approximately € 25 million was due to the increase in expected losses estimated for the economic crisis linked to the COVID-19 health emergency. In addition, lower net provisions set aside for risks of € 22 million were recorded, of which approximately € 16 million was related to release of previous provisions for hydroelectric fees.

Group Net Profit attributable to shareholders came to € 153.3 million, down (-19.7%) compared to the € 191.0 million recorded in 2019. This drop reflects the trend in EBIT.

At 30 September 2020, **Net Financial Debt** was € 2,915 million, up € 209 million compared to 31 December 2019. Overall, net financial debt increased by 7.8% due to the strong growth in investments, extraordinary consolidation operations and the worsening of net working capital, following the delay in the collection of commercial receivables due to Covid-19 (+ €50 million).

Gross technical investments made during the period amounted to € 414 million, with strong growth (+27.9%) compared to 2019, in line with what is set out in the Business Plan. The increase was mainly due to actions to repower the Turbigo thermoelectric power station, the expansion of the district heating network and construction and expansion of waste processing plants.

IREN GROUP: MAIN RESULTS BY BUSINESS AREA

(millions of euro)	30/09/2020	30/09/2019	Change %
Revenue	**2,629**	**3,190**	**-17.6%**
Networks BU (energy and water infrastructure)	745	740	0.7%
Waste Management BU	533	531	0.4%
Energy BU (Generation, DH, Energy Efficiency)	787	1,088	-27.6%
Market BU	1,472	2,061	-28.6%
Services and other	17	16	1.4%
Netting and adjustments	-925	-1,246	-25.7%
Gross Operating Profit (EBITDA)	**653**	**675**	**-3.3%**
Networks BU (energy and water infrastructure)	272	264	2.9%
Electricity networks	*56*	*55*	*2.8%*
Gas networks	*65*	*63*	*3.1%*
Water networks	*151*	*146*	*2.8%*
Waste Management BU	120	126	-4.4%
Energy BU (Generation, DH, Energy Efficiency)	154	199	-22.6%
Market BU	105	84	23.7%
Electricity	*44*	*27*	*60.1%*
Gas and other services	*61*	*57*	*7.0%*
Services and other	2	2	13.9%
Operating Profit (EBIT)	**290**	**344**	**-15.6%**
Networks BU (energy and water infrastructure)	132	140	-5.5%
Waste Management BU	46	55	-15.2%
Energy BU (Generation, DH, Energy Efficiency)	64	101	-36.2%
Market BU	46	47	-3.3%
Services and other	2	1	18.9%

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NETWORKS (ENERGY AND WATER INFRASTRUCTURE)

Revenue for the segment was € 745 million, up 0.7% from the € 740 million recorded in 2019.

Gross Operating Profit (EBITDA) was € 272 million, up by 2.9% compared to the € 264 million reported at 30 September 2019. The increase in profit can be attributed to an increase in the rate revenue restriction for the water service, with a significant increase in net invested capital, and operating synergies established during the period in the water and electricity sectors.

During the reference period, the Group distributed 2,673 GWh of **electricity**, 816 million cubic metres of **gas** and 130 million cubic metres of **water**.

At 30 September 2020, **gross investments** in the segment came to € 180 million (-3.6%), allocated to renovating the gas and electricity networks and developing the infrastructure outlined in the integrated water cycle Area Plans.

WASTE MANAGEMENT

In the Waste Management segment, **revenues** totalled € 533 million, slightly up by 0.4% compared to the figure recorded in 2019 of € 531 million. The increase in revenue was substantially due to higher intermediation revenue and to the expansion of the consolidation scope related to the companies Ferrania Ecologia (from July 2019), Territorio Risorse (from October 2019) and I.Blu (August 2020). However, energy revenue and disposals fell.

Gross Operating Profit of € 120 million was down (-4.4%) compared to the € 126 million recorded at 30 September 2019. The drop in profit is attributable to lower energy revenue following the drop in the prices of electricity produced by the waste-to-energy plants, lower volumes of special waste treated and disposed of in landfills as a result of the COVID-19 health crisis, a reduction in the prices of recovered materials coming from separate collection. These negative factors were only partially absorbed by the higher revenue from municipal waste management activities and, in particular, from collection and intermediation.

During the year, waste managed came to over 2,022,000 tonnes.

At 30 September 2020, **gross investments** in the sector totalled € 57 million, up by 70% compared to 2019, and were largely associated with revamping the Cairo Montenotte biodigester, vehicles and equipment for door-to-door collection in Turin, and developing the new Just Iren management system.

ENERGY (GENERATION, DISTRICT HEATING AND ENERGY EFFICIENCY)

Revenue for the Energy segment amounted to € 787 million, down (-27.6%) compared to the € 1,088 million recorded in 2019. The sharp contraction of revenue is mainly attributable to the drop in the selling price of electricity (€ -183 million the PUN effect) consequent to the unfavourable energy scenario as well as to lower electricity production (€ -82 million). The sharp decline in revenue also reflects the reduction in prices and volumes of heat for district heating due to the particularly mild weather (€ -25 million) and to lower income of energy certificates compared to 2019.

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Gross Operating Profit (EBITDA) for the sector came to € 154 million, down (-22.6%) compared to the figure at 30 September 2019. Performance during the first 9 months of 2020 saw a scenario in which domestic electricity demand came to 225.1 TWh, down by -6.9% compared to the 241.9 TWh of the corresponding period of 2019, with a -33.8% drop in the average price of electricity compared to the corresponding period of 2019. The PUN trend, already down since the beginning of the year compared to 2019, fell further at the time of the lockdown measure connected with the COVID-19 health crisis which, reducing demand, and pushed the price of energy towards the lows reached in May 2020. In the third quarter 2020, PUN value recovered but was characterised by high volatility related to the actions to contain the pandemic, the availability of hydroelectric production and the increase in gas prices. A simultaneous reduction in electricity and heat volumes, along with a sharp decline in prices and unit margins on electricity production had a significant impact on sector profits, only partially offset by improved results from dispatching services (MSD), by higher hydroelectric production and, starting from third quarter 2020, also by greater thermoelectric production. The cessation of certain extraordinary items that had positively affected the first nine months of 2019 and were no longer replicable also had a negative impact on profit for the period.

In 2020, total **electricity** produced was 6,933 GWh—down -4.0% compared to the 7,222 GWh of the previous year, due to a lower contribution from the cogeneration and thermoelectric sector of 5,858 GWh (-5.6%)—while hydroelectric production and production from renewable sources increased to 1,075 GWh (+5.9%).

Heat production for district heating came out at 1,646 GWht, down -9.7% compared to the 2019 figure. Overall district heating volumes amounted to approximately 95.0 million m^3 up by +1.3% compared to the 94 million m^3 of 2019.

At 30 September 2020, **gross investments** totalled € 105 million, representing strong growth compared to the € 43 million of the previous year, assigned primarily to activities to expand the Turbigo thermoelectric plant that will allow an increase in installed power from 850 to 1,280 MW.

MARKET

Revenue for the Market segment came to € 1,472 million, down by -28.6% from the € 2,061 million recorded in 2019. Along with the lower quantities sold—in decline as a result of the particularly mild winter and the production block because of the COVID-19 health crisis—the decrease in turnover was also due to the reduction in energy commodity prices. This trend characterised the entire nine months, with prices in recovery in the third quarter but still below the figures for the corresponding 2019 period.

Gross Operating Profit (EBITDA) for the sector came to € 105 million, up by +23.7% compared to the € 84 million seen at 30 September 2019. This increase is related to electricity as well as natural gas sales and is largely attributable to an improvement in unit sales margins. which more than offset the negative effects of volume reduction associated with the COVID-19 health crisis.

Electricity sold directly in the first nine months of 2020 totalled 5,493 GWh, down (-21.7%) compared to the 7,017 GWh recorded in 2019. The decrease in volumes of electricity sold is attributable to a drop in sales in the business (-36.8%), small business (-25.0%) and retail (-13.6%) segments, due also to the COVID-19 crisis.

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In addition, 2,174 million cubic metres of **gas** were purchased, down (-2.0%) compared to the 2,219 million cubic metres of the previous year, in particular due to lower internal usage (-5.4%) and to a drop in all business segments with the exception of wholesalers.

At 30 September 2020, **gross investments** totalled € 34 million (+12.8%).

BUSINESS OUTLOOK

In an international scenario in which the largest world economies recorded a decline in GDP due to the global health crisis, the Iren Group is dealing with a domestic scenario characterised by a sharp reduction in demand and low commodity prices.

The Group expects to limit the impact of the COVID-19 crisis on the Group's operating profit, mainly due to the nature of its business (over 70% in regulated or semi-regulated sectors). On one hand, the crisis slowed some construction sites and, consequently, the investments planned. On the other hand, the Group is incuring emerging costs related to the extraordinary situation, a slowdown in efficiency projects and a partial reduction in sales volumes. With the current visibility, it is estimated that the impact of COVID-19 on end-of-year EBITDA will be € 15 million.

On the basis of the recent ARERA provisions and of the corporate measures adopted to mitigate the economic and social impacts resulting from the crisis, at the end of the year, the Group will report an effect on the working capital of € 80 million following the interruption of new actions to suspend/reduce supplies (gas, electricity, water and district heating). Owing to the possible liquidity problems in the customer portfolio, the Group has already increased bad debt provisions due to the valuation of expected losses of € 25 million. These assumptions are in line with the assumption that no further lockdowns will occur.

The previous shutdown of activities and the continuation of containment measures will lead to a partial recovery in demand and prices compared to the previous year. However, as far as energy activities are concerned, during 2020, the Group carried out a series of actions that will enable it to mitigate the impact of the crisis. We expect to be able to seize the potential of the customer portfolio through a recovery of unit margins thanks to the commercial strategies implemented and the increase in the customer base in combination with practical management of the thermoelectric plants.

As regards the regulated sectors, we expect that the rate changes related to the regulatory framework approved by ARERA in the water sector and in energy distribution will have a limited negative impact on the expected margins and will be completely offset by the growth in regulated revenue sustained by the investments made. As regards the Waste Management segment, the collection service will have a positive impact on profitability as a result of an improvement in service quality. Profitability of treatment and disposal activities will continue to reflect the drop in volumes of waste managed and the decrease in energy prices.

The Group will also continue in its growth process set forth in the latest business plan, which provides for significant investments, above all in the Networks and Waste Management divisions, as well as investments intended to increase electricity generation capacity. Iren also confirms sustainability as one of the main strategic pillars, continuing to invest in projects linked to the Multicircle Economy,

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the efficient use of resources and the reduction of emissions, for approximately 60% of the investments outlined in the business plan.

CONFERENCE CALL

The results at 30 September 2020 will be presented today, 10 November, at 16:30 (CET) as part of a conference call with the financial community, also offered as a webcast in "listen only" mode, at www.gruppoiren.it in the *Investors* section.

ALTERNATIVE PERFORMANCE MEASURES

A number of alternative performance measures (APMs) are used in this press release. These are not covered in the international accounting standards adopted by the European Union (IFRS-EU), but permit a better understanding of the economic-financial performance of the IREN Group. In compliance with the recommendations of the Guidelines published in October 2015 by ESMA, the significance, content and basis of calculation of said measures are shown below:

- **Gross operating profit (EBITDA):** determined subtracting total operating expenses from total revenue. The Group uses this APM in documents, both internal to the Group and external, and is a useful tool for assessing the Group's operating performance (as a whole and at the individual Business Unit level), also through comparison between the operating profit of the period with which the report is concerned and those of previous periods or financial years. This measure also makes it possible to analyse operating performance and to assess performance in terms of operating efficiency over time.
- **Operating profit:** determined subtracting from Gross Operating Profit (EBITDA) depreciation, amortisation, provisions and operating impairment losses.
- **Net financial debt:** determined by the sum of Non-current financial liabilities net of Non-current financial assets and Current financial liabilities net of Current financial assets and of Cash and cash equivalents. The Group uses this APM in documents, both internal and external to the Group, and it is a useful measurement of the Group's financial structure, also through comparison between the period of the report and previous periods or financial years.
- **Investments:** determined by the sum of investments in property, plant and equipment, intangible assets and financial assets (equity investments) and presented gross of capital grants. The Group uses this APM in external and internal Group documents, and it is a measurement of the financial resources absorbed by purchases of durable goods during the period.

Massimo Levrino, Financial Reporting Manager of IREN S.p.A declares, pursuant to paragraph 2 of Article 154-bis of the "Testo Unico della Finanza" (Consolidated Law on Finance), that the accounting information contained in this press release corresponds to the documentary records, books and accounting entries.
The financial report at 30 September 2020 will be filed in accordance with the law at the company headquarters (Via Nubi di Magellano, 30 – Reggio Emilia) and with Borsa Italiana S.p.A., available to anyone who requests it, and will also be available on the Group's website, www.gruppoiren.it.
Below are the IREN S.p.A. Group financial statements.

INCOME STATEMENT

thousands of euro

	First nine months 2020	First nine months 2019 (restated)	Change %
Revenue			
Revenue from goods and services	2,501,301	3,060,683	(18.3)
Other income	127,868	129,167	(1.0)
Total revenue	**2,629,169**	**3,189,850**	**(17.6)**
Operating expenses			
Raw materials, consumables, supplies and goods	(710,317)	(1,074,316)	(33.9)
Services and use of third-party assets	(913,790)	(1,083,180)	(15.6)
Other operating expenses	(50,455)	(52,326)	(3.6)
Capitalised expenses for internal work	26,605	22,014	20.9
Personnel expense	(328,627)	(326,957)	0.5
Total operating expenses	**(1,976,584)**	**(2,514,765)**	**(21.4)**
GROSS OPERATING PROFIT (EBITDA)	**652,585**	**675,085**	**(3.3)**
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(316,152)	(290,932)	8.7
Provisions for impairment of receivables	(51,348)	(23,719)	(*)
Other provisions and impairment losses	5,091	(16,489)	(*)
Total depreciation, amortisation, provisions and impairment losses	**(362,409)**	**(331,140)**	**9.4**
OPERATING PROFIT (EBIT)	**290,176**	**343,945**	**(15.6)**
Financial income and expense			
Financial income	18,213	22,719	(19.8)
Financial expense	(67,142)	(68,487)	(2.0)
Total financial income and expense	**(48,929)**	**(45,768)**	**6.9**
Share of profit (loss) of associates accounted for using the equity method	6,561	4,704	39.5
Value adjustments on equity investments	(1,672)	-	-
Profit (loss) before tax	**246,136**	**302,881**	**(18.7)**
Income tax expense	(72,615)	(90,660)	(19.9)
Net profit (loss) from continuing operations	**173,521**	**212,221**	**(18.2)**
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	**173,521**	**212,221**	**(18.2)**
attributable to:			
- Profit (loss) for the period attributable to shareholders	153,300	191,025	(19.7)
- Profit (loss) for the period attributable to non-controlling interests	20,221	21,196	(4.6)

(*) Change of more than 100%

As provided for in IFRS 3, the economic balances of the comparative period were restated to take into account the effects deriving from the completion, at the end of the first half of 2020, of the allocation of the purchase price at the definitive fair value of the acquired assets and liabilities (Purchase Price Allocation) of Ferrania Ecologia at the acquisition date.

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RECLASSIFIED STATEMENT OF FINANCIAL POSITION

thousands of euro

	30.09.2020	31.12.2019 (restated)	Change %
Non-current assets	6,231,725	6,100,862	2.1
Other non-current assets (liabilities)	(445,524)	(444,550)	0.2
Net Working Capital	232,510	165,707	40.3
Deferred tax assets (liabilities)	157,026	158,845	(1.1)
Provisions for risks and employee benefits	(590,144)	(625,240)	(5.6)
Assets (Liabilities) held for sale	1,285	1,293	(0.6)
Net invested capital	**5,586,878**	**5,356,917**	**4.3**
Equity	2,671,501	2,651,340	0.8
Non-current financial assets	(150,822)	(148,051)	*1.9*
Non-current financial debt	3,542,566	3,167,048	*11.9*
Non-current net financial debt	3,391,744	3,018,997	12.3
Current financial assets	(939,929)	(774,583)	*21.3*
Current financial debt	463,562	461,163	*0.5*
Current net financial debt	(476,367)	(313,420)	52.0
Net financial debt	2,915,377	2,705,577	7.8
Own funds and net financial debt	**5,586,878**	**5,356,917**	**4.3**

As provided for in IFRS 3, the financial balances at 31 December 2019 were restated to take into account the effects deriving from the completion, at the end of the first half of 2020, of the allocation of the purchase price at the definitive fair value of the acquired assets and liabilities (Purchase Price Allocation) of Ferrania Ecologia at the acquisition date.

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STATEMENT OF CASH FLOWS

thousands of euro

	First nine months 2020	First nine months 2019 (restated)	Change %
Opening Net Financial (Debt)	**(2,705,577)**	**(2,452,806)**	**10.3**
Profit (loss) for the period	173,521	212,221	(18.2)
Adjustments for non-financial movements	537,042	515,228	4.2
Utilisations of employee benefits	(5,176)	(9,698)	(46.6)
Utilisations of provisions for risks and other charges	(21,127)	(36,385)	(41.9)
Change in other non-current assets and liabilities	(2,137)	(6,162)	(65.3)
Other changes in capital	(22,045)	(25,564)	(13.8)
Taxes paid	(25,722)	(88,738)	(71.0)
Cash flows from operating activities before changes in NWC	**634,356**	**560,902**	**13.1**
Cash flows from changes in NWC	(156,896)	(1,914)	(*)
Operating cash flow	**477,460**	**558,988**	**(14.6)**
Investments in property, plant and equipment and intangible assets	(414,201)	(323,824)	27.9
Investments in financial assets	-	(118)	(100.0)
Proceeds from the sale of investments and changes in assets held for sale	2,236	6,652	(66.4)
Changes in consolidation scope	(76,152)	(54,453)	39.8
Dividends received	1,572	1,289	22.0
Total cash flows used in investing activities	**(486,545)**	**(370,454)**	**31.3**
Free cash flow	**(9,085)**	**188,534**	**(*)**
Cash flow of own capital	(165,570)	(158,992)	4.1
Other changes	(35,145)	(191,464)	(81.6)
Change in Net Financial (Debt)	**(209,800)**	**(161,922)**	**29.6**
Final Net Financial (Debt)	**(2,915,377)**	**(2,614,728)**	**11.5**

(*) Change of more than 100%

As provided for in IFRS 3, the presentation of the cash flows in the comparative period was restated to take into account the effects deriving from the completion, at the end of the first half of 2020, of the allocation of the purchase price at the definitive fair value of the acquired assets and liabilities (Purchase Price Allocation) of Ferrania Ecologia at the acquisition date.

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